



Agenda Report

December 14, 2020

TO: Honorable Mayor and City Council

FROM: Water and Power Department

SUBJECT: AMEND CONTRACTS WITH ORACLE AND WATERSMART TO CONTINUE OFFERING BEHAVIORAL ENERGY- AND WATER-EFFICIENCY AND CUSTOMER ENGAGEMENT PROGRAMS BY UP TO 36 MONTHS, UNLESS TERMINATED EARLIER BY THE CITY

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed actions are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption or General Rule);
2. Authorize the City Manager to amend City Services Contract 31483, the Master Service Agreement with Oracle America, Inc. ("Oracle"), to continue providing Opower Home Energy Reports and customer engagement/behavioral program services by up to 36 months through June 30, 2024, with options to terminate at the end of June 2022 or June 2023; and, increase the maximum contract amount by \$1,190,000, which includes annual service fees for three years totaling \$1,099,500 and a contingency of \$90,500 for configuration and additional services that may be needed, to the existing contract amount of \$2,500,000; for a new total not to exceed amount of \$3,690,000;
3. Authorize the City Manager to extend Contract 30133 with WaterSmart Software, Inc. ("WaterSmart") by up to 36 months through February 9, 2024, with options to terminate at the end of June 2022 or June 2023; and, increase the maximum contract amount by \$414,300, which includes annual service fees totaling \$354,000 and a contingency of \$60,300 for configuration and additional services that may be needed, for a new total not to exceed amount of \$414,300 in order to continue offering the WaterSmart home water reports and customer engagement program; and
4. To the extent these could be considered as separate procurement activities, grant the proposed contract amendments an exemption from the competitive selection process pursuant to P.M.C. Section 4.08.049 (B), contracts for which the City's best interests are served.

EXECUTIVE SUMMARY:

Pasadena Water and Power (“PWP”) has been providing home energy and home water reports (“Reports”) to PWP customers for over five years as a means to encourage conservation of electricity and water. The Reports are designed based on scientific research that shows feedback through normative comparisons, i.e., comparing a customer’s water and energy use to that of similar neighbors, and is one of the most productive ways to motivate and reinforce efficient behavior. These reports have been an effective tool to encourage conservation of electricity and water, and provide targeted information about PWP’s programs and services relevant to the customer.

The recommended contract amendments will ensure uninterrupted deliveries of the Reports for up to three years while the City completes and implements the Customer Information System (“CIS”) replacement project.

BACKGROUND:

OPower, acquired by Oracle in 2016, uses behavioral energy efficiency approach for its reports, a method that is accepted by the California Energy Commission to encourage conservation and generate energy savings. Electric utilities like PWP are required to set and attain energy conservation goals. The OPower Home Energy Report is one of several programs used by PWP to reach energy conservation goals. Similarly, state legislation under Senate Bill X7-7, Assembly Bill 1668 and Senate Bill 606 mandate water conservation and establish urban water use efficiency standards. WaterSmart is one of several programs in PWP’s conservation portfolio to help meet those standards.

The Reports contain informative graphics that demonstrate how the resident is doing with their energy or water use compared to a like grouping of “similar homes”, which may take into account location, occupants, home size and fuel type used for heating/cooling. The Reports contain historical data in the form of simple graphs and icons, water- and energy-saving tips, and customized information and promotional messaging prepared by PWP on ways to save energy and water, participate in free “direct install” programs, or obtain rebates for electric vehicles through PWP’s customer programs. The personalized analysis, messaging, and reports are enabled by the vendors’ extensive customer-specific databases and analytic engines.

Oracle’s OPower home energy reports are delivered to approximately 43,000 residential customers, including 26,500 customers receiving hard copy mailings four times annually and 16,500 receiving digital copies each billing cycle. These reports generate approximately 6,345 MWh energy savings each year – roughly 45% of PWP’s annual energy efficiency goal of 13,500 MWh – at an average program cost of 6¢/kWh compared to PWP’s average energy cost of approximately 11.6¢/kWh. The home energy reports measure energy savings through a randomized controlled trial that assign customers (randomly) into “control” groups and “test” groups. Customers in the control group do not receive a home energy report while the test group receives a home energy report. The savings are then claimed by comparing the difference in energy use between the control and test groups. Since the report itself contains a variety of energy conservation tips and utility energy efficiency offerings, it has been effective in raising customer awareness on

energy conservation and motivating behavior change in regards to energy use habits; especially when compared to neighbors with similar housing characteristics.

Home water reports by WaterSmart enable PWP to engage with approximately 26,000 residential customers four times a year and encourage more efficient water use, resulting in annual savings of approximately 322 acre feet per year at an average cost of \$452 per acre feet compared to PWP's average purchased water cost of approximately \$1,152 per acre feet.

Oracle's OPower and the WaterSmart services also include utility dashboards and data extracts that enable City staff to perform additional analytics/customer engagement. For example, the WaterSmart utility dashboard has been particularly beneficial in addressing customer questions and complaints regarding water use, troubleshooting possible issues such as leaks, and increasing participation in rebates, workshops, PWP's greywater program, and direct install programs. The Opower data extracts provide PWP additional demographic and customer specific detail that are not readily available on the existing customer information system portal. The extracts have been successfully used for targeted email marketing campaigns on direct install/rebate programs and other digital transformation initiatives.

Both Oracle's OPower and WaterSmart systems extract customer energy usage data from PWP's CIS and organize it through their respective proprietary systems to develop comparative data amongst customers who have similar characteristics such as property lot and dwelling size, assumed number of occupants, and other parameters. Currently, PWP is replacing its existing CIS with a new CIS, which is expected to be completed by the end of 2021. Since the new CIS is using a different software vendor, new interfaces need to be developed for Opower and WaterSmart. It is prudent to minimize changes while transitioning from an old CIS to a new CIS. The continuity of reports with Opower and WaterSmart until the new CIS is launched is critical. However, the current contracts for WaterSmart and OPower services that were authorized subsequent to the competitive selection processes in 2015, will expire in February 2021 and June 2021, respectively.

Both of the recommended contract amendments include the option for the City to unilaterally terminate these services and incur no further cost obligations at the end of fiscal years 2022 and 2023 with 90-days prior notice.

Each of the vendors has agreed to continue providing current services, ongoing software updates and upgrades, and report printing and mailing services at the current annual contract rates for up to three years. Both vendors have committed to performing necessary software configuration and data conversion to adapt to the new CIS; and, to facilitate a "single sign on" feature that allows customers to switch between PWP's customer portal, and the vendors' web portals without a separate log on process, for an amount not to exceed \$50,000. Since the scope of work to build and test data extracts/interfaces with new CIS are similar for each respective vendor, PWP has allocated identical dollar amounts for Oracle and Watersmart to complete the necessary configurations. Staff further recommends authorizing additional contingency for potential future customizations and/or as-needed services for adhoc studies or customization.

Table I – Recommended Additional Not To Exceed Amounts

Fiscal Year	OPower	WaterSmart	Total
Software and Services, \$/Year	\$366,500	\$118,000	\$484,500
Total Base Services (3 years)	\$1,099,500	\$354,000	\$1,453,500
One-Time Configuration and Data Conversion	\$50,000	\$50,000	\$100,000
Contingency for Future Customizations and Adhoc Studies or As-Needed Services	\$40,500	\$10,300	\$50,800
Total Contingency and One-Time Services	\$90,500	\$60,300	\$150,800
Combined Total Not-to-Exceed Amount	\$1,190,000	\$414,300	\$1,604,300

Ideally, staff would have conducted a new competitive selection process in 2020 to select the best proposals and recommend new contracts for these services going forward. However, that approach was neither feasible nor prudent at this time, given the complications and risks any change in vendor would represent to the ongoing Customer Information System replacement project. If the City wishes to continue offering behavioral water and energy reports to PWP customers, using the current vendors is the only feasible option and usage extending the existing contracts is in the best interest of the City.

Best Interest Exemption

Although these contracts were initially awarded subsequent to a competitive selection process, to the extent the recommended contract amendments may be considered new procurement, it is in the best interest of the City to authorize the recommended extension. Extending these contracts will ensure uninterrupted deliveries of the Reports and access to software portals for both PWP staff and PWP customers. Both energy and water reports are also significant contributors towards council-adopted efficiency goals. Given the necessary technology freeze to complete the Customer Information System replacement project, the Reports and services would otherwise be unavailable for at least two years.

COUNCIL POLICY CONSIDERATION:

The proposed contract extensions are consistent with the City Council's Strategic Planning Goal to increase conservation and sustainability; the ten-year energy efficiency goals adopted by the City Council on March 13, 2017; the City's Urban Environmental Accords Goals; the City's Climate Action Plan; the 2018 Power Integrated Resource Plan; the 2015 Urban Water Management Plan Update; and, the 2011 Integrated Water Resource Plan. Behavioral science-based conservation programs comprise a significant segment of the PWP's energy and water efficiency programs that directly contribute to overall conservation/sustainability efforts within the city.

ENVIRONMENTAL ANALYSIS:

The proposed action is the execution of an agreement for professional services intended to promote energy and water conservation. This action has been determined to be exempt from environmental review pursuant to State CEQA Guidelines Section 15061(b)(3), the common sense exemption (formerly the general rule) that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA; such is the case for the proposed professional services agreement to provide energy and water usage reports and tips to encourage conservation. There would be no direct physical changes in the environment. The proposed services would have a beneficial impact on the environment by reducing the use of energy and water.

FISCAL IMPACT:

The maximum cost of this action will be \$1,604,300. Funding for this action will be addressed by the utilization of existing and future budgeted appropriations in Public Benefits Fund account number 41609140-821500 and Water Operating Fund account number 41408170-821500. Anticipated expenditures by fiscal year are shown in Table II.

Table II – Maximum Contract Extension Amounts and Cash Flow

Fiscal Year	FY2021	FY2022	FY2023	FY2024	Total
OPower Services	N/A*	\$366,500	\$366,500	\$366,500	\$1,099,500
Configuration/Contingency	\$50,000	\$13,500	\$13,500	\$13,500	\$90,500
OPower Total	\$50,000	\$380,000	\$380,000	\$380,000	\$1,190,000
WaterSmart Services	\$49,167	\$118,000	\$118,000	\$68,833	\$354,000
Configuration/Contingency	\$50,000	\$2,920	\$4,920	\$2,460	\$60,300
WaterSmart Total	\$99,167	\$120,920	\$122,920	\$71,293	\$414,300
Total Fiscal Impact	\$149,167	\$500,920	\$502,920	\$451,293	\$1,604,300

*=Current Opower contract expires at the end of FY21, the proposed contract extension will not start until FY22.

The anticipated impact to other operational programs or capital projects as a result of this action will be none.

Respectfully submitted,



GURCHARAN S. BAWA
General Manager
Water and Power Department

Prepared by:



Jonathan Sun
Customer Program Manager
Water and Power Department

Approved by:



STEVE MERMELL
City Manager

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:
WaterSmart Software Inc

2. Type of Entity:
 non-government nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

<u>Andrew Jornod, CEO/President, Director</u>
<u>Keith Foerster, CFO/Treasurer</u>
<u>Keith W. Pennell, Chairman, Vice President, Secretary, Director</u>
<u>Doug H. Gilbert, Vice President, Asst Secretary, Director</u>
<u>Robert W. Batson, COO</u>
<u>Carlos Pullum, Asst. Secretary</u>
<u>Bradley C. Almond, Director</u>
<u>Ke Dina, Director</u>
<u>Todd Crandall, Director</u>

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:

<u>DFW Capital Partners</u>

Prepared by: Danna Leahy

Title: SVP Revenue Operations + Corporate Development

Phone: 415-806-3107

Date: 12-1-2020

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII**

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:	Oracle America, Inc.
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2. Type of Entity:	<input checked="" type="checkbox"/> non-government <input type="checkbox"/> nonprofit 501(c)(3), (4), or (6)
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3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:	See Attachment 1

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organization:	Oracle America, Inc. is an indirect, wholly-owned subsidiary of Oracle Corporation, a publicly traded company.

Prepared by: DocuSigned by:
Matthew O'Keefe
07FC1C12F106491 _____

Title: Global Vice President, sales for opower, oracle utilities

Phone: 925-337-0498

Date: 07-Dec-2020 | 4:15 PM PST

The signatory listed above is an authorized representative of Oracle America, Inc. and is signing this form on behalf of Oracle America, Inc. and not in his or her individual capacity.
Rev.07.10.2007

Attachment 1
Oracle America, Inc.

List of all Directors and Officers:

Name	Position(s)
Safra Catz	Director / Chief Executive Officer
Dorian Daley	Director / Executive Vice President / General Counsel
Lawrence J. Ellison	Chief Technology Officer
Douglas Kehring	Executive Vice President
William Corey West	Executive Vice President / Corporate Controller / Chief Accounting Officer
Gregory Hilbrich	Executive Vice President / Treasurer
Brian S. Higgins	Vice President / Secretary
Edward Paterson	Vice President / Assistant Treasurer
Lisa Hickman-Lott	Vice President, Tax
Margaret Lukes	Vice President, Tax
Jacklyn Park	Assistant Secretary
Kimberly Woolley	Assistant Secretary
Edward Screven	Chief Corporate Architect